

Commerce Bancshares, Inc.
Compliance Department, TB12-1
922 Walnut P.O. Box 13686
Kansas City, MO 64199-3686

January 22, 2004

Docket No. R-1168

Jennifer J. Johnson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, N.W.
Washington, D.C. 20551

via e-mail to regs.comments@federalreserve.gov

Dear Madam,

Commerce Bancshares, Inc. is a registered bank holding company with total assets of \$13.6 billion at September 30, 2003, and four bank subsidiaries. Three of these banks are full-service banks, with approximately 200 branch locations in Missouri, Illinois, and Kansas. The other bank is a limited-purpose bank, with one office in Omaha, Nebraska. All of the banks are national banks. Commerce has implemented policies and procedures with regard to the Equal Credit Opportunity Act, and has designed disclosures in compliance with the current version of Regulation B.

Issues upon which comment is requested:

Definitions - Clear and Conspicuous: The Board proposes to adopt a universal definition of "clear and conspicuous" taken from Regulation P (Privacy) to be used in various regulations, including Regulation B. Clear and conspicuous would be defined to mean that a disclosure is "reasonably understandable and designed to call attention to the nature and significance of the information in the disclosure". We do not support the proposed definition, or the related Commentary.

The Board states that these revisions are intended to help ensure that consumers receive "noticeable and understandable" information. Does the Board have reason to believe that existing disclosures designed under the current regulation are *not* noticeable and understandable? Unless the Board has some compelling reason for the proposed change, other than the desire for consistency among regulations, the change is neither necessary nor helpful, and we urge that the proposal be withdrawn.

The proposed commentary gives examples of what makes a disclosure reasonably understandable, and what design features call attention to information. However, the guidance is open to interpretation, and we fear it could invite lawsuits and second-guessing by examiners. Our disclosures might be criticized if our sentences are too long, or our type size is smaller than the 12-point type prescribed.

In order to ensure that existing disclosures meet the definition of "clear and conspicuous", it would be necessary for our institution to review every consumer disclosure in light of the new guidance. We have historically based consumer disclosures on the model and sample forms found in the Appendices to Regulation B, and therefore have felt secure that the disclosures met with the requirements of Regulation B. Given the new definition, we will no longer be safe in that harbor. While these disclosures have served us and our borrowers very well for years, all Reg B-related disclosures will have to be reviewed and potentially redesigned. The review and redesign process is sure to be expensive, but may or may not result in more "noticeable and understandable" disclosures. An obvious way to avoid the needless review and redesign process would be an official regulatory statement that the existing model and sample forms are deemed to meet the clear and conspicuous standard.

If the Board does choose to move forward with the proposed changes, we request that the definition or commentary be revised to state *specifically* that the model and sample forms are clear and conspicuous.

Further, if the proposed definition is adopted, it should be inserted as paragraph 202.2(h), to retain the alphabetical presentation of all definitions. Adding the definition to the end of an otherwise alphabetical listing is imprudent, and will make the regulation more difficult to use for those who are accustomed to the Board's usually orderly presentation of information. Inserting the definition in its proper position will require all subsequent definitions to be re-ordered, and may result in other technical changes to the regulation, as citations of the definitions may occur elsewhere in the regulation or commentary. This additional work is necessary if the revised regulation is to be serviceable.

Conclusion: We do not support the proposed definition for "clear and conspicuous". However, if the proposed definition is adopted, we request that the Board insert it in the proper position, and that they specify in the regulation or commentary that all model and sample forms are considered to meet the clear and conspicuous standard.

Thank you for the opportunity to comment on these issues.

Sincerely,

Sherri M. Beam
Compliance Officer